

April 24, 2007

ELECTRONIC EX PARTE FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Developing a Unified Intercarrier Compensation Regime, CC Docket
No. 01-92

Dear Ms. Dortch:

CTIA – The Wireless Association® (“CTIA”) responds to the recent claims raised by AT&T and Iowa rural carriers and service providers alleging so-called “traffic pumping”¹ and call blocking schemes.² AT&T claims that rural local carriers ally with certain service providers to stimulate high incoming traffic volumes for the sole purpose of generating large terminating access revenues.³ The Iowa group claims that AT&T and other large carriers are wrongfully blocking calls to the service providers.

The Iowa rural carriers’ “traffic pumping” schemes demonstrate how rural incumbent LECs can and do overcompensate themselves through the current intercarrier compensation system. The current scenario presents yet another example of the urgent need to reform the dysfunctional, discriminatory and regressive intercarrier compensation regime. AT&T’s description of the alleged scheme demonstrates the avoidance and arbitrage behavior that results from disparate intercarrier charges based on artificial distinctions among different categories of traffic. As AT&T points out, these schemes arise in rural areas with high terminating access charges and attract high call volumes with offers to end users of free calling.⁴

¹ Letter from James W. Cicconi, Senior Executive Vice President, AT&T, to Hon. Kevin J. Martin, Chairman, FCC (Apr. 4, 2007) (“AT&T Letter”).

² Letter from Jim McKenna, President and CEO, Aventure Communication, *et al.*, to the Hon. Kevin J. Martin Chairman, FCC, *et al.* (Apr. 16, 2007).

³ AT&T Letter at 1-2.

⁴ *Id.* These access arbitrage schemes occur when a local exchange carrier in a rural area establishes terminating access rates based on their historical volume of traffic and costs and then partners with an operator that “pumps” traffic to the rural LEC by using the rural LEC’s telephone numbers for “free”

Last year's variation on this theme was described in USTelecom's filings complaining of "access avoidance schemes" allegedly depriving local carriers of terminating access charges owed by service providers "seeking to arbitrage regulatory asymmetries."⁵ Three years earlier, another version of this behavior was alleged in an AT&T lawsuit charging MCI with fraudulently rerouting traffic through Canada in order to avoid terminating access charges, particularly on calls bound for rural areas with high access rates.⁶ These claims highlight the continuing administrative and economic inefficiencies of the existing intercarrier compensation regime. They also highlight incentives and opportunities created under the current intercarrier compensation system for carriers to maximize intercarrier revenues and minimize intercarrier payments through various forms of self-help.

What should be clear to all parties by now is that this uneconomic conduct is a manifestation of an intercarrier compensation system premised on a provider's ability to impose its network costs on its competitors, rather than recover costs from the provider's own end-user customers. It would be far more efficient for the Commission to address these issues as part of the holistic reform that CTIA and other parties advocate for intercarrier compensation. Adoption of CTIA's Mutually Efficient Traffic Exchange ("METE") Proposal or similar meaningful reforms in the *Inter-carrier Compensation* proceeding would resolve these issues and other ongoing intercarrier compensation disputes in a manner that better serves customers and the public interest.

Under the METE Proposal, it would not matter where a call originated or terminated, what type of carrier terminated the call, which technology was used to deliver it, or how it was routed. Carriers could not take advantage of distinctions between high intercarrier charges and low retail rates, as in the traffic pumping scenario, because they would recover all of their internal network costs from their end-user customers (and, in some cases, from universal service), rather than by imposing charges on each other at "toll booths" interposed at network interconnection points.

Rather than devote its resources to an increasingly futile effort to extend legacy distinctions to an industry that no longer provides services based on classifications, the Commission should instead maximize consumer welfare by

conference calling services, voicemail box services, and chat lines. These services can drive millions of minutes to the rural LEC, which the rural LEC bills at its "terminating access" rates.

⁵ See, e.g., Letter from Walter B. McCormick, Jr., USTelecom, to the Hon. Kevin Martin, Chairman, FCC, at 1, WC Docket Nos. 05-276 and 05-283 (May 3, 2006) ("USTA Letter"), attached to letter from Jeffrey S. Lanning, Associate General Counsel, USTelecom, to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 05-276 and 05-283 (May 4, 2006).

⁶ Griff Witte, *Call Forwarding for Pain or Profit*, Post-Newsweek Business Information, Inc. Newsbytes (Oct. 3, 2003).

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implementing the METE Proposal or similar comprehensive reform. Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. Please do not hesitate to contact the undersigned with any questions.

Sincerely,

/s/ Paul Garnett

Paul Garnett

CTIA-The Wireless Association®

cc: Thomas Navin
Don Stockdale
Randy Clarke
Al Lewis
Deena Shetler
Jay Atkinson
Chris Barnekov
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